



**STATE OF TENNESSEE  
COMPTROLLER OF THE TREASURY  
OFFICE OF STATE AND LOCAL FINANCE  
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NASHVILLE, TENNESSEE 37243-1402  
PHONE (615) 401-7872  
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November 6, 2015

Honorable Keith Durham, Mayor  
City of Lawrenceburg  
25 Public Square  
Lawrenceburg, TN 38464

Dear Mayor Durham:

Please provide a copy of this report to each member of the City Commission at the public meeting during which the report is reviewed and the proposed refunding bond resolution is presented. Additionally, this letter, report, and plan of refunding (the "Plan"), are to be posted on the website of the City of Lawrenceburg (the "City") if the City has a website.

This letter acknowledges receipt on October 28, 2015, of the City's request to review the Plan for the issuance of an estimated \$4,685,000 General Obligation Refunding Bonds, Series 2016, (the "Refunding Bonds") to current refund an estimated \$4,565,000 Water and Sewer System Revenue and Tax Refunding Bonds, Series 2005 (the "Refunded Bonds").

Pursuant to the provisions of Tennessee Code Annotated Title 9 Chapter 21, a plan must be submitted to our Office for review. The information presented in the Plan includes the assertions of the City and may not reflect either current market conditions or market conditions at the time of sale.

### **BALLOON INDEBTEDNESS**

The structure of the Refunding Bonds presented in the Plan does not appear to be balloon indebtedness. If the Refunding Bonds' structure is revised, the City should determine if the new structure complies with the requirements of T.C.A. § 9-21-134 concerning balloon indebtedness. If it is determined that the bond structure constitutes balloon indebtedness, the City must submit a Plan of Balloon Indebtedness to the Director of the Office of State and Local Finance for approval prior to the City adopting the resolution authorizing the issuance of the debt.

## **CITY'S PROPOSED REFUNDING OBJECTIVE**

The City indicated the purpose of the current refunding is to restructure the Refunded Bonds to extend the final maturity of the debt by five years, which will allow the City to issue an additional \$500,000 in bonds to fund water and sewer line replacements and upgrades and to fund additional maintenance projects.

The Refunded Bonds were originally issued as balloon indebtedness with 98.28% of the original principal amortizing in the last eight years of the 14-year amortization schedule. The extension of the maturity of the Refunded Bonds by five years will increase the City's Water and Sewer Fund debt service by \$207,801. The increase includes the additional interest expense and cost of issuance of the Refunding Bonds.

The balloon indebtedness structure of the Refunded Bonds did not provide sufficient future debt capacity for capital maintenance and projects; therefore, the City is restructuring its debt. As a result, the current refunding:

- incurs avoidable costs of issuance and interest expense;
- decreases the city's future debt capacity; and
- reduces future revenues available for operations.

The City's past balloon indebtedness has negatively impacted the cash flows for its water and sewer fund.

Since this refunding is for the purpose of restructuring the City's balloon indebtedness in order to issue additional debt, the Board should consider structuring the City's future debt to permit the issuance of additional debt without the necessity of restructuring its outstanding debt. The City and its municipal advisor should review the City's entire debt portfolio to ensure future debt is structured to provide adequate debt capacity.

## **FINANCIAL PROFESSIONALS**

The City has reported Cumberland Securities Company, Inc. as its Municipal advisor. Municipal advisors have a fiduciary responsibility to the City. Underwriters have no fiduciary responsibility to the City. They represent the interests of their firm and are not required to act in the City's best interest without regard to their own or other interests. The Plan was prepared by the City with the assistance of its municipal advisor.

## **COMPLIANCE WITH THE CITY'S DEBT MANAGEMENT POLICY**

The City provided a copy of its debt management policy, and within forty-five (45) days of issuance of the debt approved in this letter, is required to submit a Report on Debt Obligation that indicates that this debt complies with its debt policy. If the City amends its policy, please submit the amended policy to this office.

## **REPORT OF THE REVIEW OF A PLAN OF REFUNDING**

This letter, report, and the Plan are to be posted on the City's website, if there is one. The same report is to be provided to each member of the governing body and reviewed at the public meeting at which the proposed refunding bond resolution will be presented.

**The enclosed report does not constitute approval or disapproval for the proposed plan or a determination that a refunding is advantageous or necessary nor that any of the outstanding obligations should be called for redemption on the first or any subsequent available redemption date or remain outstanding until their respective dates of maturity. This letter and the enclosed report do not address the compliance with federal tax regulations and are not to be relied upon for that purpose. The City should discuss these issues with a bond counsel.**

*This report is effective for a period of one hundred and twenty (120) days. If the refunding has not been completed during this time, a supplemental plan of refunding must be submitted to this Office. At that time we will issue a report thereon pursuant to the statutes. In lieu of submitting a supplemental plan, a statement may be submitted to our Office after the 120-day period has elapsed stating that the information contained in the current plan of refunding remains valid. Such statement must be submitted by either the Chief Executive Officer or the Chief Financial Officer of the local government. We will acknowledge receipt of such statement and will issue our letter confirming that this refunding report remains valid for an additional 120-day period. However, with regard to the report currently being issued by this Office, during the initial 120-day period or any subsequent 120-day period no refunding reports will be issued relating to the debt obligations indicated herein as being refunded unless the Chief Executive Officer or the Chief Financial Officer notifies our Office that the plan of refunding which has been submitted is no longer valid.*

*We recognize that the information provided in the plan submitted to our Office is based on preliminary analysis and estimates, and that actual results will be determined by market conditions at the time of sale of the debt obligations. However, if it is determined prior to the issuance of these obligations that the actual results will be significantly different from the information provided in the plan which has been submitted, and the local government determines to proceed with the issue, our Office should subsequently be notified by either the Chief Executive Officer or the Chief Financial Officer of the local government regarding these differences, and that the local government was aware of the differences and determined to proceed with the issuance of the debt obligations. Notification to our Office will be necessary only if there is an increase or decrease of greater than fifteen percent (15%) in any of the following: (1) the principal amount of the debt obligations issued; (2) the costs of issuance; (3) the cumulative savings or loss with regard to any refunding proposal. We consider this notification necessary to insure that this Office and officials of the local government are aware of any significant changes that occur with regard to the issuance of the proposed indebtedness.*

## REPORT ON DEBT OBLIGATION

We are enclosing the Report on Debt Obligation. The form must be completed for all debt issued. Pursuant to T.C.A. § 9-21-151, this form is to be completed and filed with the governing body of the City no later than forty-five days after the issuance of this debt, with a copy (including attachments, if any) filed with the Director of the Office of State and Local Finance by mail to the address on this letterhead or by email to [stateandlocalfinance.publicdebtform@cot.tn.gov](mailto:stateandlocalfinance.publicdebtform@cot.tn.gov). No public entity may enter into additional debt if it has failed to file the Report on Debt Obligation. The form can be found at <http://www.comptroller.tn.gov/sl/pubdebt.asp>.

If you should have any questions or we may be of assistance, please feel free to call.

Sincerely,



Sandra Thompson  
Director of the Office of State & Local Finance

Cc: Mr. Jim Arnette, Director of Local Government Audit, COT  
Mr. Chris Shaffer, City of Lawrenceburg  
Mr. Scott Gibson, Cumberland Securities Company, Inc.  
Mr. C.L. Overman, Cumberland Securities Company, Inc.  
Mr. Doug Earthman, Glankler Brown

Enclosures: Report of the Director of the Office of State & Local Finance  
Report on Debt Obligation

**REPORT OF THE DIRECTOR OF THE OFFICE OF STATE AND LOCAL FINANCE  
CONCERNING THE PROPOSED ISSUANCE  
BY THE CITY OF LAWRENCEBURG, TENNESSEE OF  
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016**

City of Lawrenceburg (the "City") submitted a plan of refunding (the "Plan"), as required by T.C.A. § 9-21-903 regarding an issuance of an estimated \$4,685,000 General Obligation Refunding Bonds, Series 2016, (the "Refunding Bonds") to current refund an estimated \$4,565,000 Water and Sewer System Revenue and Tax Refunding Bonds, Series 2005 (the "Refunded Bonds").

The Plan was prepared with the assistance of the City's municipal advisor, Cumberland Securities Company, Inc. An evaluation of the preparation, support, and underlying assumptions of the Plan has not been performed by this Office. This letter and report provide no assurances of the reasonableness of the underlying assumptions. This report must be presented to the governing body prior to the adoption of a refunding bond resolution. The Refunding Bonds may be issued with a structure different to that of the Plan. The City provided a copy of its debt management policy.

**BALLOON INDEBTEDNESS**

The structure of the Refunding Bonds presented in the Plan does not appear to be balloon indebtedness. If the Refunding Bonds' structure is revised, the City should determine if the new structure complies with the requirements of T.C.A. § 9-21-134 concerning balloon indebtedness. If it is determined that the bond structure constitutes balloon indebtedness, the City must submit a Plan of Balloon Indebtedness to the Director of the Office of State and Local Finance for approval prior to the City adopting the resolution authorizing the issuance of the debt.

**CITY'S PROPOSED REFUNDING OBJECTIVE**

The City indicated the purpose of the current refunding is to restructure the Refunded Bonds to extend the final maturity of the debt by five years, which will allow the City to issue an additional \$500,000 in bonds to fund water and sewer line replacements and upgrades and to fund additional maintenance projects.

The Refunded Bonds were originally issued as balloon indebtedness with 98.28% of the original principal amortizing in the last eight years of the 14-year amortization schedule. The extension of the maturity of the Refunded Bonds by five years will increase the City's Water and Sewer Fund debt service by \$207,801. The increase includes the additional interest expense and cost of issuance of the Refunding Bonds.

The balloon indebtedness structure of the Refunded Bonds did not provide sufficient future debt capacity for capital maintenance and projects; therefore, the City is restructuring its debt. As a result, the current refunding:

- incurs avoidable costs of issuance and interest expense;
- decreases the city's future debt capacity; and
- reduces future revenues available for operations.

The City's past balloon indebtedness has negatively impacted the cash flows for its water and sewer fund.

Since this refunding is for the purpose of restructuring the City's balloon indebtedness in order to issue additional debt, the Board should consider structuring the City's future debt to permit the issuance of additional debt without the necessity of restructuring its outstanding debt. The City and its municipal advisor should review the City's entire debt portfolio to ensure future debt is structured to provide adequate debt capacity.

### REFUNDING ANALYSIS

- The results of the refunding are based on the assumption that \$4,685,000 Refunding Bonds will be sold by competitive sale and priced at par.
- The maturity schedule of the Refunding Bonds will extend five years beyond the final maturity of the Refunded Bonds.
- The Refunding Bonds are estimated to have an average coupon of 2.08% and the Refunded Bonds have an average coupon of 4.67%.
- The restructuring will increase total debt service costs by \$207,801.
- Estimated cost of issuance of the Refunding Bonds is \$111,431 or \$23.78 per \$1,000 of the par amount. See Table 1 for individual costs of issuance.

Table 1  
Costs of Issuance of the Refunding Bonds

	Amount	Price per \$1,000 bond
Underwriter (Competitive Sale)	\$ 36,435.83	\$ 7.78
Financial Advisor (Cumberland Securities Company.)	32,500.00	6.94
Bond Counsel (Bass Berry & Sims)	14,500.00	3.09
Rating Agency Fees	14,000.00	2.99
Other Costs	13,995.00	2.99
Total Cost of Issuance	\$ 111,430.83	\$ 23.78

The City has identified Cumberland Securities Company, Inc. as its municipal advisor. Municipal advisors have a fiduciary responsibility to you, the issuer. Underwriters have no fiduciary responsibility to you. They represent the interests of their firm.

This report of the Office of State and Local Finance does not constitute approval or disapproval by the Office for the Plan or a determination that a refunding is advantageous or necessary nor that any of the refunded obligations should be called for redemption on the first or any subsequent available redemption date or remain outstanding until their respective dates of maturity. This report is based on information as presented in the Plan by the City. The assumptions included in the City's Plan may not reflect either current market conditions or market conditions at the time of sale.

If all of the Refunded Bonds are not refunded as a part of the Refunding Bonds, and the City wishes to refund them in a subsequent bond issue, then a new plan will have to be submitted to this Office for review.



Sandra Thompson  
Director of the Office of State and Local Finance  
Date: November 6, 2015